

CORRECTED FISCAL NOTE

HB 3276 - SB 3471

April 4, 2006

SUMMARY OF BILL: Establishes the Healthy Tennessee program which will make standardized health insurance contracts available to qualifying small employers and qualifying individuals.

ESTIMATED FISCAL IMPACT:

On March 31, 2006, we issued a fiscal note which indicated that there would be an *increase in state expenditures exceeding \$100,000, exceeding \$10,000,000 in the small employer stop loss fund and \$10,000,000 in the quality individual stop loss fund.* Based on information provided by the Department of Commerce and Insurance, the estimated fiscal impact of this bill is:

(Corrected)

**Increase State Expenditures – \$665,400 Recurring
\$14,000 One-Time**

**Exceeds \$14,000,000/ “Small Employer Stop Loss Fund” and
“Qualifying Individual Stop Loss Fund”**

(From General Fund Reserves Allocated by the General Appropriations Act)

Assumptions:

- The Department of Commerce and Insurance will need four positions and will incur an increase in recurring state expenditures totaling \$265,400, for the salaries and benefits (\$216,600), administrative costs allocation (\$31,600), computer and software (\$4,500), office space (\$8,700), supplies (\$2,400) and communications (\$1,600). There will be an increase in one-time expenditures totaling \$14,000, for computer equipment (\$6,000) and office landscaping (\$8,000).
- The Department will contract for the marketing of the program which is estimated at \$250,000.
- The Department will contract with an outside accounting firm to handle the annual program reconciliation which is estimated at \$150,000.

HB 3276 - SB 3471 (CORRECTED)

- The Commissioner of Commerce and Insurance shall establish two separate funds from which health maintenance organizations, corporations or insurers may receive reimbursement for claims paid by such entities for members covered under qualifying group health insurance contracts.
- On January 1, 2007, health maintenance organizations, corporations or insurers may receive reimbursement for 90% of claims paid between \$30,000 and \$100,000 in a calendar year for any member covered under a contract.
- Claims paid for members covered under group health insurance contracts will be paid out of the “small employer stop loss fund.” Claims paid for members covered under individual health insurance contracts will be paid out of the “qualifying individual stop loss fund.” Both funds will be financed by general fund reserves allocated by the general appropriations act.
- The Department estimates that there will 24,000 eligible members in FY 07 and the annual cost will be \$94.28 per member per month. The estimated increase in expenditures from the two funds is estimated at \$13,576,320.
- It is estimated that the number of eligible members will increase each year which will result in an increase in expenditures each year.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director